



HEALTH ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2006
OF THE CONDITION AND AFFAIRS OF THE

Priority Health

NAIC Group Code	3383	3383	NAIC Company Code	95561	Employer's ID Number	38-2715520
	(Current Period)	(Prior Period)				
Organized under the Laws of	Michigan			State of Domicile or Port of Entry	Michigan	
Country of Domicile	United States					
Licensed as business type:	Life, Accident & Health []		Property/Casualty []		Dental Service Corporation []	
	Vision Service Corporation []		Other []		Health Maintenance Organization [X]	
	Hospital, Medical & Dental Service or Indemnity []		Is HMO, Federally Qualified? Yes [] No [X]			
Incorporated/Organized	03/07/1986		Commenced Business	10/15/1986		
Statutory Home Office	1231 East Beltline NE			Grand Rapids, MI 49525-4501		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office	1231 East Beltline NE					
	Grand Rapids, MI 49525-4501			616-464-8235		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address	1231 East Beltline NE			Grand Rapids, MI 49525-4501		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records	1231 East Beltline NE					
	Grand Rapids, MI 49525-4501			616-464-8926		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Internet Website Address	www.priority-health.com					
Statutory Statement Contact	Kristy Shoemaker			616-464-8926		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	kristy.shoemaker@priority-health.com			616-942-7916		
	(E-mail Address)			(FAX Number)		
Policyowner Relations Contact	1231 East Beltline NE					
	Grand Rapids, MI 49525-4501			800-446-5674		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number) (Extension)		

OFFICERS

Name	Title	Name	Title
Kimberly K Horn	Chief Executive Officer	Judith W Hooyenga	Secretary
Gaylen J Byker #	Interim Treasurer		

OTHER OFFICERS

DIRECTORS OR TRUSTEES

Dennis Aloia	Daniel H Baldwin	Craig H Bethune	Richard C Breon
Joseph L Brock	Stephen W Burkhammer	Gaylen J Byker	Karl D Deck #
Kenneth J Fawcett	Michael P Freed	Jody D Vanderwel	Lynn Kotecki
Michael I Love #	Peter B Lundeen	Christina MacInnes	Kathleen S Ponitz
Stephen B Reznicek	Robert W Roth	Thomas G Schwaderer	Timothy V Smith
Hilary F Snell	Dale M Sowders	James J Stephanak #	Thomas J Wesholski

State ofMichigan.....

ss

County ofKent.....

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Kimberly K Horn
Chief Executive Officer

Judith W Hooyenga
Secretary

Gaylen J Byker
Interim Treasurer

Subscribed and sworn to before me this
28th day of February, 2007

- a. Is this an original filing? Yes [X] No []
b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

Cheryl Britcher
Executive Administrative Assistant
12/30/2011

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D).....	128,754,137	0	128,754,137	128,081,299
2. Stocks (Schedule D):				
2.1 Preferred stocks	0		0	0
2.2 Common stocks	57,656,843	0	57,656,843	46,390,245
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$0 encumbrances).....	223,104	223,104	0	78,217
4.2 Properties held for the production of income (less \$0 encumbrances)			0	0
4.3 Properties held for sale (less \$0 encumbrances)			0	0
5. Cash (\$(16,826,382) , Schedule E, Part 1), cash equivalents (\$0 , Schedule E, Part 2) and short-term investments (\$141,855,430 , Schedule DA).....	125,029,048		125,029,048	150,093,072
6. Contract loans, (including \$premium notes)			0	0
7. Other invested assets (Schedule BA)	0	0	0	0
8. Receivables for securities	65,000	0	65,000	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	311,728,132	223,104	311,505,028	324,642,833
11. Title plants less \$charged off (for Title Insurers only)	0	0	0	0
12. Investment income due and accrued	2,809,060	0	2,809,060	2,771,769
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	11,494,230	0	11,494,230	8,178,410
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$earned but unbilled premium).....			0	0
13.3 Accrued retrospective premium.....	29,998		29,998	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	0	0	0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset.....			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software	0		0	0
19. Furniture and equipment, including health care delivery assets (\$0)	0	0	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	15,096,111	127,944	14,968,167	4,144,185
22. Health care (\$7,549,701) and other amounts receivable.....	7,621,909	3,530,405	4,091,504	3,887,003
23. Aggregate write-ins for other than invested assets	41,305	41,305	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	348,820,745	3,922,758	344,897,987	343,624,200
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0	0
26. Total (Lines 24 and 25)	348,820,745	3,922,758	344,897,987	343,624,200
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0
2301. Prepaid Expenses.....	41,305	41,305	0	0
2302.				
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	41,305	41,305	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$0 reinsurance ceded)	.....68,760,397	.....5,811,667	.....74,572,064	.....80,832,493
2. Accrued medical incentive pool and bonus amounts	.....19,252,937		.....19,252,937	.....39,355,348
3. Unpaid claims adjustment expenses	.....1,080,819	.....91,351	.....1,172,170	.....1,649,642
4. Aggregate health policy reserves	.....2,276,000		.....2,276,000	.....713,950
5. Aggregate life policy reserves			.....0	.....0
6. Property/casualty unearned premium reserves			.....0	.....0
7. Aggregate health claim reserves			.....0	.....0
8. Premiums received in advance	.....10,166,785		.....10,166,785	.....9,430,851
9. General expenses due or accrued	.....3,127,305		.....3,127,305	.....2,874,965
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			.....0	.....0
10.2 Net deferred tax liability			.....0	.....0
11. Ceded reinsurance premiums payable			.....0	.....0
12. Amounts withheld or retained for the account of others			.....0	.....0
13. Remittance and items not allocated			.....0	.....0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current)			.....0	.....0
15. Amounts due to parent, subsidiaries and affiliates	.....2,444,267		.....2,444,267	.....969,597
16. Payable for securities			.....0	.....0
17. Funds held under reinsurance treaties with (\$ authorized reinsurers and \$ unauthorized reinsurers)			.....0	.....0
18. Reinsurance in unauthorized companies			.....0	.....0
19. Net adjustments in assets and liabilities due to foreign exchange rates			.....0	.....0
20. Liability for amounts held under uninsured plans	.....494,237		.....494,237	.....0
21. Aggregate write-ins for other liabilities (including \$ current)	.....0	.....0	.....0	.....0
22. Total liabilities (Lines 1 to 21)	.....107,602,746	.....5,903,018	.....113,505,764	.....135,826,846
23. Aggregate write-ins for special surplus funds	.....XXX	.....XXX	.....0	.....0
24. Common capital stock	.....XXX	.....XXX	.....8,524	.....10,524
25. Preferred capital stock	.....XXX	.....XXX		.....0
26. Gross paid in and contributed surplus	.....XXX	.....XXX	.....35,821,002	.....35,819,002
27. Surplus notes	.....XXX	.....XXX	.....33,839,572	.....0
28. Aggregate write-ins for other than special surplus funds	.....XXX	.....XXX	.....1,000,000	.....1,000,000
29. Unassigned funds (surplus)	.....XXX	.....XXX	.....160,723,125	.....170,967,828
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$ ..... )	.....XXX	.....XXX		.....0
30.2 shares preferred (value included in Line 25 \$ ..... )	.....XXX	.....XXX		.....0
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	.....XXX	.....XXX	.....231,392,223	.....207,797,354
32. Total liabilities, capital and surplus (Lines 22 and 31)	.....XXX	.....XXX	.....344,897,987	.....343,624,200
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	.....0	.....0	.....0	.....0
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)	.....0	.....0	.....0	.....0
2301. ....	.....XXX	.....XXX		
2302. ....	.....XXX	.....XXX		
2303. ....	.....XXX	.....XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	.....XXX	.....XXX	.....0	.....0
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	.....XXX	.....XXX	.....0	.....0
2801. Appropriated Retained Earnings	.....XXX	.....XXX	.....1,000,000	.....1,000,000
2802. ....	.....XXX	.....XXX		
2803. ....	.....XXX	.....XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	.....XXX	.....XXX	.....0	.....0
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	.....XXX	.....XXX	.....1,000,000	.....1,000,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	4,210,401	4,444,474
2. Net premium income (including \$0 non-health premium income).....	XXX	1,083,328,130	1,049,205,532
3. Change in unearned premium reserves and reserve for rate credits	XXX	713,950	(713,950)
4. Fee-for-service (net of \$ medical expenses)	XXX		0
5. Risk revenue	XXX		0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	1,084,042,080	1,048,491,582
Hospital and Medical:			
9. Hospital/medical benefits		694,338,654	643,063,543
10. Other professional services		539,399	321,077
11. Outside referrals		32,739,329	29,533,106
12. Emergency room and out-of-area		20,772,349	19,054,048
13. Prescription drugs		199,689,512	183,485,930
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....		20,851,298	31,473,369
16. Subtotal (Lines 9 to 15)	0	968,930,541	906,931,073
Less:			
17. Net reinsurance recoveries			155,544
18. Total hospital and medical (Lines 16 minus 17)	0	968,930,541	906,775,529
19. Non-health claims (net).....			0
20. Claims adjustment expenses, including \$1,563,103 cost containment expenses.....		15,631,031	14,060,818
21. General administrative expenses.....		88,575,824	79,677,968
22. Increase in reserves for life and accident and health contracts (including \$0 increase in reserves for life only).....		2,276,000	0
23. Total underwriting deductions (Lines 18 through 22)	0	1,075,413,396	1,000,514,315
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	8,628,684	47,977,267
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		13,746,177	9,840,596
26. Net realized capital gains (losses) less capital gains tax of \$0		(47,258)	(8,210)
27. Net investment gains (losses) (Lines 25 plus 26)	0	13,698,919	9,832,386
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			0
29. Aggregate write-ins for other income or expenses	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	22,327,603	57,809,653
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	22,327,603	57,809,653
DETAILS OF WRITE-INS			
0601.	XXX		0
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	0	0

STATEMENT OF REVENUE AND EXPENSES (continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior-reporting period	207,797,354	155,024,288
34. Net income or (loss) from Line 32	22,327,603	57,809,653
35. Change in valuation basis of aggregate policy and claim reserves		0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$0	6,864,016	(1,663,920)
37. Change in net unrealized foreign exchange capital gain or (loss)		0
38. Change in net deferred income tax		0
39. Change in nonadmitted assets	2,863,143	(3,372,667)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	33,839,572	0
43. Cumulative effect of changes in accounting principles		0
44. Capital Changes:		
44.1 Paid in	(2,000)	0
44.2 Transferred from surplus (Stock Dividend)		0
44.3 Transferred to surplus		0
45. Surplus adjustments:		
45.1 Paid in	2,000	0
45.2 Transferred to capital (Stock Dividend)	0	0
45.3 Transferred from capital		0
46. Dividends to stockholders		0
47. Aggregate write-ins for gains or (losses) in surplus	(42,299,465)	0
48. Net change in capital & surplus (Lines 34 to 47)	23,594,869	52,773,066
49. Capital and surplus end of reporting period (Line 33 plus 48)	231,392,223	207,797,354
DETAILS OF WRITE-INS		
4701. Share repurchase of stock.....	(42,299,465)	0
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	(42,299,465)	0

CASH FLOW

	1 Current Year To Date	2 Prior Year Ended December 31
Cash from Operations		
1. Premiums collected net of reinsurance.....	1,082,994,246	1,039,057,723
2. Net investment income	14,392,346	10,302,632
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	1,097,386,592	1,049,360,355
5. Benefits and loss related payments	996,775,894	895,939,847
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		0
7. Commissions, expenses paid and aggregate write-ins for deductions	104,548,502	93,547,583
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	1,101,324,396	989,487,430
11. Net cash from operations (Line 4 minus Line 10)	(3,937,804)	59,872,925
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	23,296,580	43,711,060
12.2 Stocks	1,000,000	0
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	369,348	(762,463)
12.7 Miscellaneous proceeds	0	849,799
12.8 Total investment proceeds (Lines 12.1 to 12.7)	24,665,928	43,798,396
13. Cost of investments acquired (long-term only):		
13.1 Bonds	24,872,006	47,551,246
13.2 Stocks	679,908	22,006,576
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	4,895,388	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	30,447,302	69,557,822
14. Net increase (or decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(5,781,374)	(25,759,426)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock.....	0	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied).....	(15,344,846)	(10,010,264)
17. Net cash from financing and miscellaneous sources (Line 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)	(15,344,846)	(10,010,264)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17)	(25,064,024)	24,103,235
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	150,093,072	125,989,837
19.2 End of year (Line 18 plus Line 19.1).....	125,029,048	150,093,072

ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	1,083,328,130	1,048,329,444	.0	.0	.0	.0	34,998,686	.0	.0	.0	.0	.0	.0
2. Change in unearned premium reserves and reserve for rate credit	713,950	713,950											
3. Fee-for-service (net of \$													
medical expenses) .....	.0												XXX
4. Risk revenue .....	.0												XXX
5. Aggregate write-ins for other health care related revenues .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
6. Aggregate write-ins for other non-health care related revenues .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
7. Total revenues (Lines 1 to 6)	1,084,042,080	1,049,043,394	.0	.0	.0	.0	34,998,686	.0	.0	.0	.0	.0	.0
8. Hospital/medical/ benefits	694,338,655	669,503,214					24,835,441						XXX
9. Other professional services	539,399	532,333					7,066						XXX
10. Outside referrals	32,739,329	32,310,446					428,883						XXX
11. Emergency room and out-of-area	20,772,349	20,500,232					272,117						XXX
12. Prescription Drugs	199,689,512	193,285,053					6,404,459						XXX
13. Aggregate write-ins for other hospital and medical .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	20,851,298	20,851,298											XXX
15. Subtotal (Lines 8 to 14)	968,930,542	936,982,576	.0	.0	.0	.0	31,947,966	.0	.0	.0	.0	.0	XXX
16. Net reinsurance recoveries .....	.0												XXX
17. Total hospital and medical (Lines 15 minus 16)	968,930,542	936,982,576	.0	.0	.0	.0	31,947,966	.0	.0	.0	.0	.0	XXX
18. Non-health claims (net) .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
19. Claims adjustment expenses including \$	1,563,103	15,087,030					544,001						
20. General administrative expenses	88,575,824	85,493,150					3,082,674						
21. Increase in reserves for accident and health contracts	2,276,000						2,276,000						XXX
22. Increase in reserves for life contracts .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	1,075,413,397	1,037,562,756	.0	.0	.0	.0	37,850,641	.0	.0	.0	.0	.0	.0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	8,628,683	11,480,638	0	0	0	0	(2,851,955)	0	0	0	0	0	0
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	.0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	.0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301.													XXX
1302.													XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	1,049,035,757		706,313	1,048,329,444
2. Medicare Supplement .....				.0
3. Dental Only.....				.0
4. Vision Only.....				.0
5. Federal Employees Health Benefits Plan .....				.0
6. Title XVIII - Medicare	35,003,098		4,412	34,998,686
7. Title XIX - Medicaid.....				.0
8. Stop Loss .....				.0
9. Disability Income .....				.0
10. Long-term care .....				.0
11. Other health.....				.0
12. Health subtotal (Lines 1 through 11)	1,084,038,855	0	710,725	1,083,328,130
13. Life .....				.0
14. Property/Casualty.....				.0
15. Totals (Lines 12 to 14)	1,084,038,855	0	710,725	1,083,328,130

STATEMENT AS OF ANNUAL STATEMENT FOR THE YEAR 2006 OF THE Priority Health

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	969,109,222	940,230,494					28,878,728						
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	969,109,222	940,230,494	0	0	0	0	28,878,728	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	40,953,709	40,953,709											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	74,572,064	70,673,580	0	0	0	0	3,898,484	0	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	74,572,064	70,673,580	0	0	0	0	3,898,484	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	19,252,937	19,252,937											
6. Net healthcare receivables (a)	(14,769,548)	(14,769,548)											
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	80,832,493	80,003,248	0	0	0	0	829,245	0	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	80,832,493	80,003,248	0	0	0	0	829,245	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0	0	0	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	39,355,348	39,355,348	0	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	0	0	0	0	0	0	0	0	0	0	0	0	0
12. Incurred Benefits:													
12.1 Direct	948,079,244	916,131,277	0	0	0	0	31,947,967	0	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	948,079,244	916,131,277	0	0	0	0	31,947,967	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	20,851,297	20,851,297	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - Claims Liability End of Current Year

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1. Direct	22,032,801	20,835,285					1,197,516						
1.2. Reinsurance assumed	0												
1.3. Reinsurance ceded	0												
1.4. Net	22,032,801	20,835,285	0	0	0	0	1,197,516	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1. Direct	52,523,637	49,822,669					2,700,968						
2.2. Reinsurance assumed	0												
2.3. Reinsurance ceded	0												
2.4. Net	52,523,637	49,822,669	0	0	0	0	2,700,968	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1. Direct	15,625	15,625											
3.2. Reinsurance assumed	0												
3.3. Reinsurance ceded	0												
3.4. Net	15,625	15,625	0	0	0	0	0	0	0	0	0	0	0
4. TOTALS:													
4.1. Direct	74,572,064	70,673,580	0	0	0	0	3,898,484	0	0	0	0	0	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4. Net	74,572,064	70,673,580	0	0	0	0	3,898,484	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability Dec. 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)	76,554,771	863,675,723	2,682,124	67,991,456	79,236,895	80,003,248
2. Medicare Supplement					0	0
3. Dental Only.....					0	0
4. Vision Only.....					0	0
5. Federal Employees Health Benefits Plan Premiums					0	0
6. Title XVIII - Medicare	541,453	28,337,275	1,833	3,896,651	543,286	829,245
7. Title XIX - Medicaid.....					0	0
8. Other health					0	0
9. Health subtotal (Lines 1 to 8).....	77,096,223	892,012,998	2,683,958	71,888,106	79,780,181	80,832,493
10. Healthcare receivables (a).....	6,624,409	8,938,627	97,529	6,093,600	6,721,938	6,984,617
11. Other non-health.....					0	0
12. Medical incentive pools and bonus amounts	35,222,851	5,730,857		19,252,937	35,222,851	39,355,348
13. Totals (Lines 9 - 10 + 11 + 12)	105,694,666	888,805,229	2,586,429	85,047,443	108,281,094	113,203,224

(a) Excludes \$loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	729,583	730,227	730,227	730,227	730,227
2. 2002	445,593	499,272	499,615	499,636	499,636
3. 2003	XXX	589,387	689,376	689,725	689,733
4. 2004	XXX	XXX	696,492	787,837	788,183
5. 2005	XXX	XXX	XXX	803,465	908,265
6. 2006	XXX	XXX	XXX	XXX	860,468

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior	730,227	730,227	730,227	730,227	730,227
2. 2002	517,206	499,615	499,615	499,636	499,636
3. 2003	XXX	694,450	689,654	698,581	689,733
4. 2004	XXX	XXX	803,826	789,095	788,183
5. 2005	XXX	XXX	XXX	912,710	910,947
6. 2006	XXX	XXX	XXX	XXX	947,712

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002	575,743	499,636	11,075	2.2	510,711	88.7			510,711	88.7
2. 2003	773,666	689,733	11,649	1.7	701,382	90.7			701,382	90.7
3. 2004	936,875	788,183	13,453	1.7	801,636	85.6			801,636	85.6
4. 2005	1,046,749	908,265	14,784	1.6	923,049	88.2	2,682	42	925,773	88.4
5. 2006	1,049,043	860,468	9,365	1.1	869,833	82.9	87,244	1,069	958,146	91.3

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior .....	.0	.0	.0	.0	
2. 2002 .....	.0	.0	.0	.0	
3. 2003	XXX	.0	.0	.0	
4. 2004	XXX	XXX	.0	.0	
5. 2005	XXX	XXX	XXX	.758	1,299
6. 2006	XXX	XXX	XXX	XXX	28,337

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior					
2. 2002					
3. 2003	XXX				
4. 2004	XXX	XXX			
5. 2005	XXX	XXX	XXX	1,587	1,301
6. 2006	XXX	XXX	XXX	XXX	32,233

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002 .....	.0	.0		.0	.0	.0			.0	.0
2. 2003 .....	.0	.0		.0	.0	.0			.0	.0
3. 2004 .....	.0	.0	.0	.0	.0	.0			.0	.0
4. 2005	1,744	1,299	.25	1.9	1,324	75.9	.2		1,326	76.0
5. 2006	34,999	28,337	124	0.4	28,461	81.3	3,896	61	32,418	92.6

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

	Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior		82,450	82,551	82,551	82,551	82,551
2. 2002		27,943	28,254	28,277	28,277	28,277
3. 2003		XXX	.0	.0	.0	.0
4. 2004		XXX	XXX	.0	.0	.0
5. 2005		XXX	XXX	XXX	.0	.0
6. 2006		XXX	XXX	XXX	XXX	.0

Section B – Incurred Health Claims - Title XIX Medicaid

	Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior		82,450	82,551	82,551	82,551	82,551
2. 2002		27,943	28,254	28,277	28,277	28,277
3. 2003		XXX	.0	.0	.0	.0
4. 2004		XXX	XXX	.0	.0	.0
5. 2005		XXX	XXX	XXX	.0	.0
6. 2006		XXX	XXX	XXX	XXX	.0

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 Col. (3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 Col. (5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 Col. (9/1) Percent
1. 2002	31,116	28,277	1,045	3.7	29,322	94.2	.0	.0	29,322	94.2
2. 2003	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. 2004	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4. 2005	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. 2006	0	0		0.0	0	0.0			0	0.0

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior		812,033	812,778	812,778	812,778	812,778
2. 2002		473,536	527,526	527,892	527,913	527,913
3. 2003		XXX	589,387	689,376	689,733	689,733
4. 2004		XXX	XXX	696,492	787,837	788,183
5. 2005		XXX	XXX	XXX	804,223	909,564
6. 2006		XXX	XXX	XXX	XXX	888,805

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1. Prior		812,677	812,778	812,778	812,778	812,778
2. 2002		545,149	527,869	527,892	527,913	527,913
3. 2003		XXX	694,450	689,654	689,581	689,733
4. 2004		XXX	XXX	803,826	789,095	788,183
5. 2005		XXX	XXX	XXX	914,297	912,248
6. 2006		XXX	XXX	XXX	XXX	979,945

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payments	Claim Adjustment Expense Payments	Col. (3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2+3)	Col. (5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	Col. (9/1) Percent
1. 2002		606,859	527,913	12,120	2.3	540,033	89.0	.0	.0	540,033	89.0
2. 2003		773,666	689,733	11,649	1.7	701,382	90.7	.0	.0	701,382	90.7
3. 2004		936,875	788,183	13,453	1.7	801,636	85.6	.0	.0	801,636	85.6
4. 2005		1,048,493	909,564	14,809	1.6	924,373	88.2	2,684	42	927,099	88.4
5. 2006		1,084,042	888,805	9,490	1.1	898,295	82.9	91,140	1,130	990,565	91.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
POLICY RESERVE												
1. Unearned premium reserves	.0											
2. Additional policy reserves (a)	2,276,000						2,276,000					
3. Reserve for future contingent benefits	.0											
4. Reserve for rate credits or experience rating refunds (including \$ for investment income)	.0											
5. Aggregate write-ins for other policy reserves	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Totals (Gross)	2,276,000	.0	.0	.0	.0	.0	2,276,000	.0	.0	.0	.0	.0
7. Reinsurance ceded	.0											
8. Totals (Net) (Page 3, Line 4)	2,276,000	0	0	0	0	0	2,276,000	0	0	0	0	0
CLAIM RESERVE												
9. Present value of amounts not yet due on claims	.0											
10. Reserve for future contingent benefits	.0											
11. Aggregate write-ins for other claim reserves	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
12. Totals (Gross)	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
13. Reinsurance ceded	.0											
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
0599. TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page												
1199. TOTALS (Lines 1101 through 1103 plus 1198) (Line 11 above)	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
(a) Includes \$ 2,276,000 premium deficiency reserve.	0	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$0 for occupancy of own building).....	19,434	174,910	3,367,870		3,562,214
2. Salaries, wages and other benefits.....	1,355,912	12,203,207	30,588,857		44,147,976
3. Commissions (less \$0 ceded plus \$0 assumed.....			22,046,385		22,046,385
4. Legal fees and expenses.....	115	1,035	375,067		376,217
5. Certifications and accreditation fees.....					0
6. Auditing, actuarial and other consulting services.....	751	6,757	363,731		371,239
7. Traveling expenses.....	417	3,749	622,185		626,351
8. Marketing and advertising.....	873	7,853	1,665,124		1,673,850
9. Postage, express and telephone.....	4,970	44,733	1,890,617		1,940,320
10. Printing and office supplies.....	10,451	94,059	2,588,338		2,692,848
11. Occupancy, depreciation and amortization.....	13,199	118,795	1,388,870		1,520,864
12. Equipment.....	173	1,561	309,351		311,085
13. Cost or depreciation of EDP equipment and software.....	59,678	537,102	6,276,633		6,873,413
14. Outsourced services including EDP, claims, and other services.....	7,513	67,615	661,968		737,096
15. Boards, bureaus and association fees.....	30	274	120,423		120,727
16. Insurance, except on real estate.....	39	352	334,440		334,831
17. Collection and bank service charges.....	54	486	199,711		200,251
18. Group service and administration fees.....	884	7,960	2,724,583		2,733,427
19. Reimbursements by uninsured plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....	1,919	17,269	336,619		355,807
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....					0
23.3 Regulatory authority licenses and fees.....					0
23.4 Payroll taxes.....	9,026	81,231	2,730,462		2,820,719
23.5 Other (excluding federal income and real estate taxes).....	1,240	11,163	1,009,750		1,022,153
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	76,425	687,817	8,974,840	0	9,739,082
26. Total expenses incurred (Lines 1 to 25).....	1,563,103	14,067,928	88,575,824	0 (a).....	104,206,855
27. Less expenses unpaid December 31, current year.....	117,217	1,054,953	3,127,306		4,299,476
28. Add expenses unpaid December 31, prior year.....	164,964	1,484,678	2,874,965	0	4,524,607
29. Amounts receivable relating to uninsured plans, prior year.....	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,610,850	14,497,653	88,323,483	0	104,431,986
DETAIL OF WRITE-INS					
2501. Consulting Services.....	5,654	50,882	2,739,091		2,795,627
2502. Data Processing.....	70,771	636,935	6,235,749		6,943,455
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598)(Line 25 above)	76,425	687,817	8,974,840	0	9,739,082

(a) Includes management fees of \$81,598,255 to affiliates and \$to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a) .....5,893,131	.....5,644,818
1.1	Bonds exempt from U.S. tax	(a) .....	.....
1.2	Other bonds (unaffiliated)	(a) .....	.....
1.3	Bonds of affiliates	(a) .....	.....
2.1	Preferred stocks (unaffiliated)	(b) .....	.....
2.11	Preferred stocks of affiliates	(b) .....	.....
2.2	Common stocks (unaffiliated) .....	.....679,907	.....679,907
2.21	Common stocks of affiliates .....	.....	.....
3.	Mortgage loans	(c) .....	.....
4.	Real estate	(d) .....	.....
5.	Contract loans.....	.....	.....
6.	Cash, cash equivalents and short-term investments	(e) .....6,865,915	.....6,961,340
7.	Derivative instruments	(f) .....	.....
8.	Other invested assets .....	.....	.....
9.	Aggregate write-ins for investment income .....	.....486,011	.....460,112
10.	Total gross investment income	13,924,964	13,746,177
11.	Investment expenses		(g)
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total (Lines 11 through 15) .....		.....0
17.	Net Investment Income - (Line 10 minus Line 16)		13,746,177
DETAILS OF WRITE-INS			
0901.	Priority Health Managed Benefits - LOC.....	.....486,011	.....460,112
0902.	.....	.....	.....
0903.	.....	.....	.....
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	486,011	460,112
1501.	.....		.....
1502.	.....		.....
1503.	.....		.....
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Total (Lines 1501 through 1503 plus 1598) (Line 15, above)		.....0

(a) Includes \$accrual of discount less \$683,460 amortization of premium and less \$190,070 paid for accrued interest on purchases.
(b) Includes \$accrual of discount less \$amortization of premium and less \$paid for accrued dividends on purchases.
(c) Includes \$accrual of discount less \$amortization of premium and less \$paid for accrued interest on purchases.
(d) Includes \$for company's occupancy of its own buildings; and excludes \$interest on encumbrances.
(e) Includes \$449,425 accrual of discount less \$amortization of premium and less \$paid for accrued interest on purchases.
(f) Includes \$accrual of discount less \$amortization of premium.
(g) Includes \$investment expenses and \$investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes \$interest on surplus notes and \$interest on capital notes.
(i) Includes \$depreciation on real estate and \$depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Unrealized Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....	.....(219,128)	.....	.....0	.....(219,128)
1.1	Bonds exempt from U.S. tax .....	.....	.....	.....	.....0
1.2	Other bonds (unaffiliated) .....	.....	.....	.....	.....0
1.3	Bonds of affiliates .....	.....0	.....0	.....0	.....0
2.1	Preferred stocks (unaffiliated) .....	.....	.....	.....	.....0
2.11	Preferred stocks of affiliates .....	.....0	.....0	.....0	.....0
2.2	Common stocks (unaffiliated) .....	.....172,674	.....	.....5,287,762	.....5,460,436
2.21	Common stocks of affiliates .....	.....0	.....(4,550,000)	.....1,576,253	.....(2,973,747)
3.	Mortgage loans .....	.....	.....	.....	.....0
4.	Real estate .....	.....	.....	.....	.....0
5.	Contract loans .....	.....	.....	.....	.....0
6.	Cash, cash equivalents and short-term investments .....	.....(804)	.....	.....	.....(804)
7.	Derivative instruments .....	.....	.....	.....	.....0
8.	Other invested assets .....	.....	.....	.....	.....0
9.	Aggregate write-ins for capital gains (losses) .....	.....0	.....0	.....0	.....0
10.	Total capital gains (losses)	(47,258)	(4,550,000)	6,864,015	2,266,757
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9, above)	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	223,104	234,651	11,547
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash, (Schedule-E, Part 1), cash equivalents (Schedule-E, Part 2) and short-term investments (Schedule DA).....	0	0	0
6. Contract loans	0	0	0
7. Other invested assets (Schedule BA)	0	0	0
8. Receivables for securities	0	0	0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	223,104	234,651	11,547
11. Title plants (for Title insurers only).....	0	0	0
12. Investment income due and accrued	0	0	0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	0	0	0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....	0	0	0
13.3 Accrued retrospective premium.....	0	0	0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers	0	0	0
14.2 Funds held by or deposited with reinsured companies	0	0	0
14.3 Other amounts receivable under reinsurance contracts	0	0	0
15. Amounts receivable relating to uninsured plans	0	0	0
16.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
16.2 Net deferred tax asset.....	0	0	0
17. Guaranty funds receivable or on deposit	0	0	0
18. Electronic data processing equipment and software.....	0	0	0
19. Furniture and equipment, including health care delivery assets.....	0	212	212
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
21. Receivables from parent, subsidiaries and affiliates	127,944	2,583,967	2,456,023
22. Health care and other amounts receivable.....	3,530,405	3,917,642	387,237
23. Aggregate write-ins for other than invested assets	41,305	49,429	8,124
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	3,922,758	6,785,901	2,863,143
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....	0	0	0
26. Total (Lines 24 and 25)	3,922,758	6,785,901	2,863,143
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 through 0903 plus 0998)(Line 9 above)	0	0	0
2301. Prepaid Expenses.....	41,305	49,429	8,124
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 through 2303 plus 2398)(Line 23 above)	41,305	49,429	8,124

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

	Source of Enrollment	Total Members at End of					Current Year Member Months
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1.	Health Maintenance Organizations.....	298,131	288,138	286,598	286,455	282,031	3,438,403
2.	Provider Service Organizations.....	.0					
3.	Preferred Provider Organizations.....	.0					
4.	Point of Service.....	73,007	62,078	59,201	58,433	56,952	716,781
5.	Indemnity Only.....	.0					
6.	Aggregate write-ins for other lines of business	969	3,884	4,672	5,210	5,486	55,157
7.	Total	372,107	354,100	350,471	350,098	344,469	4,210,401
DETAILS OF WRITE-INS							
0601.	Medicare.....	969	3,884	4,672	5,210	5,486	55,157
0602.	.....					
0603.	.....					
0698.	Summary of remaining write-ins for Line 6 from overflow page	.0	.0	.0	.0	.0	.0
0699.	Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	969	3,884	4,672	5,210	5,486	55,157

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies

A. Nature of Organization and Ownership

Priority Health (the Company or the Plan) is a nonprofit, nontaxable health maintenance organization owned primarily by Spectrum Health (Priority Health's 95% shareholder), as well as Munson Healthcare and Healthshare, Inc. The Plan provides coverage for medical, hospital and other health care services to its members, who are located primarily within Michigan, through contracts executed with various health care providers. Priority Health offers health coverage to commercial and Medicare subscribers as a standard health maintenance organization product or a point-of-service product.

Priority Health is the 100% owner of Priority Health Government Programs, Inc. (PHGP), an HMO established effective October 1, 2002. Priority Health reflects the operations of PHGP in its own financial statements in accordance with prescribed accounting practices and procedures. PHGP has over 49,700 Medicaid and MICHild members as of December 31, 2006.

Priority Health is the 100% owner of Priority Health Insurance Company (PHIC), established effective September 1, 2004. Priority Health reflects the operations of PHIC in its own financial statements in accordance with prescribed accounting practices and procedures. PHIC provides contracts of health insurance, including endorsements, for medical, hospital and other health care services. PHIC has over 22,500 members as of December 31, 2006.

The agreements with certain participating providers call for reimbursement at various capitated rates or percentages of fees, less applicable member copayments, coinsurance or deductibles, on a current basis. The agreements provide for contingent reimbursement to participating providers based upon the results of operations within their defined risk pool. In the event the risk pool's utilization of defined measures meets, or exceeds, documented thresholds, the providers may share in the surplus, and be eligible for the return of previously withheld fees, as defined in their respective contracts. In addition, the Plan provides for a quality incentive to be paid to certain providers contingent upon achieving specified quality goals.

Priority Health's statutory-basis financial statements are prepared in accordance with accounting practices prescribed or permitted by the State of Michigan Office of Insurance and Financial Services (OFIS). The National Association of Insurance Commissioners (NAIC) has revised the *Accounting Practices and Procedures Manual* in a process referred to as Codification, effective on January 1, 2001. It is the intent of the NAIC to publish a new *Accounting Practices and Procedures Manual* annually. The latest version of the manual is as of March 2006.

The NAIC manual requires insurers to fully disclose and quantify any deviations from the practices and procedures adopted in the manual. HMOs must prepare their financial statements in accordance with this guidance except as modified by OFIS. OFIS provided a transition period (a prescribed practice) for certain statements of statutory accounting principles (SSAPs) found in the NAIC Accounting Practices and Procedures Manual. The following outlines the transition of the specific SSAPs impacting the Plan. There is a full adoption and application of all other SSAPs not listed below.

SSAP 19 - Furniture and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements

This SSAP will be adopted using the following transition scenario, whereby the reporting entity will be permitted to report as an admitted asset the following percentage of its book value of furniture and equipment and leasehold improvements:

Effective January 1, 2003 85%

Effective January 1, 2004 55%

Effective January 1, 2005 25%

Effective January 1, 2006, the requirements of SSAP 19 will be fully adopted.

B. Use of Estimates

The preparation of financial statements of HMOs requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Such estimates and assumptions could change in the future as more information becomes known, which could impact the amounts reported and disclosed herein.

C. Accounting Policy

NOTES TO FINANCIAL STATEMENTS

1. All short-term investments have been classified in accordance with National Association of Insurance Commissioners (NAIC) guidelines and are stated at amortized cost for financial statement disclosure.
2. Investments consist of bonds that are carried at amortized cost. The cost of bonds is adjusted for amortization of premiums and discounts to maturity using a level-yield method. Realized gains and losses are determined using the specific identification method and are included in operations. The fair value of investments is determined based upon quoted market prices.
3. Investments in Common Stocks are reported at fair market value based upon quoted market prices.
4. Preferred Stocks are Not Applicable
5. Mortgage loans are Not Applicable
6. Loan-backed securities as well as other asset-backed securities are held and are reported at their amortized cost.
7. The Plan uses the equity method to account for investment in and the continuing operations of its wholly owned subsidiaries, Priority Health Government Programs, Inc. and Priority Health Insurance Company, as described in SSAP 46.
8. The Plan does not have minor ownership interests in joint ventures.
9. Derivatives are not held by the Plan and therefore this disclosure is Not Applicable.
10. and 11. Under traditional arrangements, health care costs are recognized as expenses when services are rendered including, based on historical data, an estimate of costs incurred, but not reported at the balance sheet date. Under capitation arrangements, health care costs are recognized when accruable under the providers' respective agreements. Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claims estimates and changes in margin associated with these estimates and could be material in the future. Given the nature of the health care costs and provider billing requirements, as defined by the participating providers' agreements, amounts accrued at year-end are paid predominantly in the following year.
12. The Company has not modified its capitalization policy from the prior period.

2. Accounting Changes and Correction of Errors

A. Material Changes in Accounting Principles

The Plan does not have any material changes in accounting principles and/or correction of errors in the reporting period.

B. Cumulative Effect of Changes for the Implementation of Codification

The State of Michigan has adopted the provisions of NAIC SAP reporting manual for Health Maintenance Organizations (HMO) with the exceptions noted previously. HMOs within the State of Michigan, including Priority Health, have adopted these provisions as prescribed.

3. Business Combinations and Goodwill

- A. Not Applicable
- B. Not Applicable
- C. Not Applicable
- D. Not Applicable

4. Discontinued Operations

The Plan has no Discontinued Operations to report.

5. Investments

- A. Mortgage Loans – Not Applicable
- B. Debt Restructuring -- Not Applicable
- C. Reverse Mortgages -- Not Applicable
- D. Loan-backed securities –
 1. The Company does not have securities purchased prior to January 1, 1994.
 2. Prepayment assumptions for loan-backed and asset-backed securities were obtained from broker dealer survey including Bloomberg and Solomon Yield Book.
 3. The Plan has applied retrospective adjustment methodology to these investments.

NOTES TO FINANCIAL STATEMENTS

- E. Repurchase Agreements -- Not Applicable
- F. Real Estate – Not Applicable
- G. Low-Income Housing Tax Credits (LIHTC) – Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

The Plan has no Joint Ventures, Partnerships, or Limited Liabilities Companies to Report.

7. Investment Income

This note is Not Applicable to the Plan as no income due is past its due date and no investment income was non-admitted.

8. Derivative Instruments

This note is Not Applicable to the Plan.

9. Income Taxes

The Plan is exempt from federal income taxes as an organization described under Internal Revenue Code Section 501(c)(4). Therefore, income tax expense has not been recorded.

10. Information Concerning Parent, Subsidiaries, and Affiliates

A, B, C, D, E, F, G

The Plan has a management contract with Priority Health Managed Benefits, Inc. (PHMB), an organization related to the Plan through common ownership, to provide certain management services. The management fee incurred by the Plan was \$81,598,000 in 2006 and \$72,529,000 in 2005, respectively.

Rental payments for operating leases are being paid by Priority Health Managed Benefits, Inc., as part of the management contract.

The Plan entered into a loan agreement on October 3, 2005 with PHMB. The amount of the loan is not to exceed the maximum allowed by statutory guidance. As of December 31, 2006, the principal outstanding was \$10,300,000. Proceeds from this debt were used by PHMB in the purchase of real estate occupied by the Plan. The interest rate is equal to LIBOR plus 0.40% calculated on a 360 day basis and adjusted quarterly. Interest income from the PHMB loan was \$460,112 and \$25,900 in 2006 and 2005, respectively.

On December 8, 2006 the Plan repurchased Holland Hospital's 19% ownership. The Plan paid \$8,460,000 and incurred surplus notes with Spectrum Health, the majority shareholder, for an additional \$33,840,000 to fund the transaction. After the stock repurchase, of the Plan's 8,524 outstanding shares of stock, 8,000 shares are owned by Spectrum Health Corporation, the controlling party of a multi-facility hospital organization located in Grand Rapids, Michigan.

Premium revenues recognized from related organizations were approximately \$93,821,000 and \$92,084,000 during 2006 and 2005, respectively. Health care costs approximating \$227,547,000 during 2006 and \$207,241,000 in 2005 were provided to plan members by related organizations.

Amounts due from affiliates were \$15,096,000 at December 31, 2006, and \$6,470,000 at December 31, 2005. Included in the 2006 due from affiliate balance was a non-admitted asset in the amount of \$128,000 related to prepaid management fees. Also included in the balance is \$10,300,000 related to the loan agreement with PHMB. Amounts due to affiliates of \$2,578,000 at December 31, 2006, and \$970,000 at December 31, 2005, represent amounts payable to subsidiaries at year end.

H--None

I---Investment in SCA does not meet criteria

J -- None

11. Debt

The Plan does not have Capital Notes nor any other type of debt, therefore, this note is Not Applicable.

NOTES TO FINANCIAL STATEMENTS

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

This note is Not Applicable to the Plan.

13. Capital and Surplus, Shareholder’s Dividend Restrictions, and Quasi-Reorganizations

- (1) The Plan has 10,000--Class A and 60,000--Class B authorized shares of common stock. Of these shares, 8,524 are issued and outstanding (8,000--Class A, 524--Class B).
- (2) The Plan has no preferred stock outstanding.
- (3) and (4) All stock is non-dividend bearing
- (5) There were no restrictions placed on the Plan’s surplus.
- (6) The total amount of advances to surplus not repaid – Not Applicable
- (7) This is Not Applicable to the Plan.
- (8) This is Not Applicable to the Plan
- (9) The portion of unassigned funds (surplus) represented or reduced by each of the following items:
 - a. unrealized gains and losses: \$ 6,864,000
 - b. nonadmitted asset values: \$ 2,863,000
 - c. separate account balances: \$ None
 - d. asset valuation reserves: \$ None
 - e. provision for reinsurance: \$ None
- (10) The Company issued the following surplus notes:

A, B, C, D, E, F, G, H, I, J, K, L, M

1	2	3	4	5	6	7	8
Date Issued	Interest Rate	Par Value (Face Amount of Notes)	Carrying Value of Note	Principal And/Or Interest Paid Current Year	Total Principal And/Or Interest Paid	Unapproved Principal And/Or Interest	Date of Maturity
12/8/2006	6%	\$6,000,000	\$6,000,000	\$0	\$0	\$23,671	None
12/8/2006	6%	6,000,000	6,000,000	0	0	23,671	None
12/8/2006	6%	6,000,000	6,000,000	0	0	23,671	None
12/8/2006	6%	6,000,000	6,000,000	0	0	23,671	None
12/8/2006	6%	6,000,000	6,000,000	0	0	23,671	None
12/8/2006	6%	3,839,572	3,839,572	0	0	15,149	None
1310999 Total		\$33,839,572	\$33,839,572	\$0	\$0	\$133,504	

The Surplus Notes listed above were issued to Spectrum Health Corporation.

The Surplus Notes have the following repayment conditions and restrictions: Payment of interest and principal, if any, shall be paid annually from earned surplus. Repayment of such amounts will be subject to the approval of the Board of Directors of Priority Health and prior written approval by the State of Michigan’s Office of Financial and Insurance Services.

The Surplus Notes have the following subordination terms: The payment of principal and interest is expressly subordinated to claims of creditors and members of Priority Health and any other priority claims provided by Chapter 81 of the Insurance Code, which provides that surplus notes are at the eighth level of priority.

NOTES TO FINANCIAL STATEMENTS

The liquidation preferences to the insurer's shareholders are as follows: If Priority Health is dissolved and there are insufficient assets to pay in full the principal amount of and interest on all outstanding surplus notes, then Priority Health shall pay on all surplus notes pro rata on the basis of the outstanding principal amount of each surplus note and the interest accrued thereon. Regardless of the issuance date of these Surplus Notes or any other surplus note of Priority Health, these Surplus Notes shall be of equal rank with any other surplus note or series of surplus notes.

N. This is Not Applicable to the Plan

(11) This is Not Applicable to the Plan

(12) This is Not Applicable to the Plan

14. Contingencies

- A. The Plan has committed to its wholly owned subsidiary Priority Health Government Programs, Inc., additional capital as needed in order for this subsidiary to meet capital requirements as mandated by the regulating authority.
- B. Assessments are Not Applicable.
- C. Gain Contingencies are Not Applicable.
- D. All Other Contingencies are Not Applicable.

15. Leases

A. Lessee Operating Lease

1. In the course of business, the Plan does not enter into leases directly. PHMB does lease office space, office equipment, and computer hardware/software under various operating lease agreements that expire over various periods of time. Rental expense for 2006 and 2005 was approximately \$1,447,000 and \$2,839,000, respectively. The Plan pays PHMB for the fully allocated cost for these leases as described in the Management Agreement.

2. At December 31, 2006, PHMB's minimum aggregate rental commitments are as follows:

Year Ending December 31 Operating Leases

1. 2007	\$ 741,415
2. 2008	\$ 666,397
3. 2009	\$ 601,734
4. 2010	\$ 546,871
5. 2011	\$ 515,884
6. Thereafter	\$1,707,626

3. The Plan is not involved in any sales-leaseback transactions.

B. Lessor Leases

This note is Not Applicable to the Plan.

16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

This note is Not Applicable to the Plan.

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note is Not Applicable to the Plan.

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of

NOTES TO FINANCIAL STATEMENTS

Partially Insured Plans

The Company receives funds from the Center for Medicare & Medicaid Services (CMS) for its stand alone Medicare Advantage product (MAPD) that includes both an insured and uninsured payment mechanism. The uninsured payment includes reimbursements for a portion of claims above a catastrophic threshold and for all or a portion of the deductible, the coinsurance and the co-payment amounts for low-income beneficiaries. The uninsured payment from CMS is received monthly based on a predetermined per member per month amount with an annual settlement occurring in 2007. As of December 31, 2006, the Company reported a liability for amounts held under uninsured plans of \$494,000. Cash receipts for uninsured plans were \$31,957,690 year-to-date.

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

This note is Not Applicable to the Plan.

20. September 11 Events

No direct impact to the Plan's operations has been recognized as a result of the September 11 events.

21. Other Items

The Plan does not have Extraordinary Items, Troubled Debt Restructuring, or other items indicated as a requirement for disclosure.

22. Events Subsequent

On December 21, 2006, Priority Health entered into an agreement to purchase Care Choices HMO and Trinity Health Plans, d/b/a Care Choices PPO and Preferred Choices PPO. The sale is subject to regulatory approval and is expected to be finalized early in 2007.

23. Reinsurance

- A. Not Applicable
- B. Not Applicable
- C. None

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. Written premiums for the Company's Medicare Advantage product are subject to retrospective adjustments. The Company estimates accrued retrospective premiums based on a risk corridor calculation as defined by the CMS. The Plan also estimates accrued retrospective premium adjustments for its group health insurance business based on the financial experience of the policyholder with a charge for administrative expenses.
- B. The Plan records accrued retrospective premium as an adjustment of earned premium.
- C. The amount of net premiums written by the Plan at December 31, 2006, that are subject to retrospective rating features was \$120,385,000, that represent 11.1% of the total net premiums written for group health. No other net premiums written by the Plan are subject to retrospective rating features.

25. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were favorable by approximately \$1,052,000 in 2006, decreasing the prior year-end claim reserve estimates of \$82.48 million to \$81.43 million.

NOTES TO FINANCIAL STATEMENTS

26. Intercompany Pooling Arrangements

This note is Not Applicable to the Plan.

27. Structured Settlements

This note is Not Applicable to the Plan.

28. Health Care Receivables

A. Pharmacy rebates as of the end of each quarter for the three years ended December 31, 2006, 2005 and 2004 are as follows:

	Estimated on FS	Pharmacy rebates as Invoiced/ Confirmed within 60 days period end	Actual Rebates collected within 90 days of invoicing	Actual Rebates collected within 91 to 180 days of invoicing	Actual Rebates collected beyond 180 days of invoicing
12/31/2006	\$ 3,462,304	\$ 2,512,474	\$ -	\$ -	\$ -
9/30/2006	\$ 3,121,620	\$ 2,785,306	\$ 1,265,951	\$ -	\$ -
6/30/2006	\$ 3,736,844	\$ 3,285,444	\$ 2,798,207	\$ 407,794	\$ -
3/31/2006	\$ 4,084,181	\$ 3,143,437	\$ 887,303	\$ 2,135,652	\$ 43,408
12/31/2005	\$ 3,974,848	\$ 3,677,297	\$ 2,978,807	\$ 621,754	\$ 35,184
9/30/2005	\$ 3,435,000	\$ 3,841,473	\$ 2,622,159	\$ 742,941	\$ 390,270
6/30/2005	\$ 3,435,000	\$ 3,927,500	\$ 3,000,412	\$ 180,093	\$ 598,167
3/31/2005	\$ 3,385,000	\$ 3,711,507	\$ 3,150,179	\$ 237,093	\$ (37,520)
12/31/2004	\$ 3,611,249	\$ 3,295,504	\$ 3,316,606	\$ 42,091	\$ (70,739)
9/30/2004	\$ 3,626,802	\$ 3,281,602	\$ 2,844,680	\$ 434,791	\$ 39,711
6/30/2004	\$ 3,626,802	\$ 3,336,658	\$ 2,587,981	\$ 540,012	\$ 209,732
3/31/2004	\$ 3,690,908	\$ 3,392,126	\$ 2,710,020	\$ 429,667	\$ 3,434,084

B. This note is Not Applicable to the Plan.

29. Participating Policies

This note is Not Applicable to the Plan.

30. Premium Deficiency Reserves

As of December 31, 2006, the Plan had liabilities of \$2,276,000 related to premium deficiency reserves for its Medicare Advantage product for the 2007 contract year. The Plan considered anticipated investment income when calculating its premium deficiency reserves. There was no premium deficiency reserve recorded in the 2005 financial statements.

31. Anticipated Salvage and Subrogation

The Plan does not estimate anticipated salvage and subrogation nor reduce any amount from its liability for unpaid claims or losses.

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities	11,410,465	3.660	11,410,465	3.663
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies	14,960,348	4.799	14,960,348	4.803
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations	174,723	0.056	174,723	0.056
1.43 Revenue and assessment obligations	1,500,878	0.481	1,500,878	0.482
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA	1,443,584	0.463	1,443,584	0.463
1.512 Issued or guaranteed by FNMA and FHLMC	42,303,695	13.571	42,303,695	13.580
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA	973,921	0.312	973,921	0.313
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other	14,500,390	4.652	14,500,390	4.655
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)	41,486,135	13.308	41,486,135	13.318
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds	38,852,607	12.464	38,852,607	12.473
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated	18,804,234	6.032	18,804,234	6.037
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company	223,104	0.072	0	0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000	0	0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000	0	0.000
6. Contract loans		0.000	0	0.000
7. Receivables for securities	65,000	0.021	65,000	0.021
8. Cash, cash equivalents and short-term investments	125,029,049	40.108	125,029,049	40.137
9. Other invested assets		0.000		0.000
10. Total invested assets	311,728,133	100.000	311,505,029	100.000

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []
- 1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] NA []
- 1.3

State Regulating?.....

Michigan.....
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]
- 2.2

If yes, date of change:
- 3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003
- 3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003
- 3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

04/04/2005
- 3.4

By what department or departments? OFIS
- 4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes [] No [X]

4.12 renewals?

Yes [] No [X]
- 4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes [] No [X]

4.22 renewals?

Yes [] No [X]
- 5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]
- 5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile
.....
.....
.....
.....

- 6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [] No [X]
- 6.2

If yes, give full information
- 7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]
- 7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney in fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

1 Nationality	2 Type of Entity
.....
.....
.....
.....

GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [] No [X]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [] No [X]
- 8.4

If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.]

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young LLP, 171 Monroe Ave, Grand Rapids, Michigan 49503
10.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Milliman USA, 1550 Liberty Ridge Dr. Suite 200, Wayne, PA 19087
- 11.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [X] No []

11.11

Name of real estate holding company

Priority Health Managed Benefits

11.12

Number of parcels involved

1

11.13

Total book/adjusted carrying value

\$ 27,837,905
- 11.2

If yes, provide explanation

Occupied buildings owned by an affiliated company, Priority Health Managed Benefits
12.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1

What changes have been made during the year in the United States Manager or the United States Trustees of the reporting entity?
- 12.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [] No []
- 12.3

Have there been any changes made to any of the trust indentures during the year?

Yes [] No []
- 12.4

If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes [] No [] NA []

BOARD OF DIRECTORS

13.

Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof?

Yes [] No [X]
14.

Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof?

Yes [X] No []
15.

Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or likely to conflict with the official duties of such person?

Yes [X] No []

FINANCIAL

- 16.1

Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11

To directors or other officers

\$ 0

16.12

To stockholders not officers

\$ 0

16.13

Trustees, supreme or grand (Fraternal only)

\$ 0
- 16.2

Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21

To directors or other officers

\$ 0

16.22

To stockholders not officers

\$ 0

16.23

Trustees, supreme or grand (Fraternal only)

\$ 0
- 17.1

Were any of the assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement?

Yes [] No [X]
- 17.2

If yes, state the amount thereof at December 31 of the current year:

17.21

Rented from others

\$ 0

17.22

Borrowed from others

\$ 0

17.23

Leased from others

\$ 0

17.24

Other

\$ 0
- 18.1

Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments?

Yes [] No [X]
- 18.2

If answer is yes,

18.21

Amount paid as losses or risk adjustment

\$ 0

18.22

Amount paid as expenses

\$ 0

18.23

Other amounts paid

\$ 0
- 19.1

Does the reporting entity report any amounts due from the parent, subsidiaries or affiliates on Page 2 of this statement?

Yes [X] No []
- 19.2

If yes, indicated any amounts receivable from parent included in the Page 2 amount:

\$ 2,422,688

GENERAL INTERROGATORIES
INVESTMENT

- 20.1

Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes [☐] No [☒]
- 20.2

If no, give full and complete information relating thereto:

Priority Health had exclusive control over the securities, however, a third party, Mellon Bank, had actual possession of the securities.
- 21.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1)

Yes [☐] No [☒]
- 21.2

If yes, state the amount thereof at December 31 of the current year:

21.21

Loaned to others

\$

0

21.22

Subject to repurchase agreements

\$

0

21.23

Subject to reverse repurchase agreements

\$

0

21.24

Subject to dollar repurchase agreements

\$

0

21.25

Subject to reverse dollar repurchase agreements

\$

0

21.26

Pledged as collateral

\$

0

21.27

Placed under option agreements

\$

0

21.28

Letter stock or other securities restricted as to sale ...

\$

0

21.29

Other

\$

0

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....
.....
.....

- 22.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [☐] No [☒]
- 22.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [☐] No [☐] NA [☒]

If no, attach a description with this statement.
- 23.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [☐] No [☒]
- 23.2

If yes, state the amount thereof at December 31 of the current year.

\$

0

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 – General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

<div>1</div> <div>Name of Custodian(s)</div>	<div>2</div> <div>Custodian's Address</div>
Fifth Third Bank.....	Grand Rapids, MI.....
Huntington National Bank.....	Grand Rapids, MI.....
Mellon Trust.....	Pittsburgh, PA.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

<div>1</div> <div>Name(s)</div>	<div>2</div> <div>Location(s)</div>	<div>2</div> <div>Complete Explanation(s)</div>
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

<div>1</div> <div>Old Custodian</div>	<div>2</div> <div>New Custodian</div>	<div>3</div> <div>Date of Change</div>	<div>4</div> <div>Reason</div>
.....

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

<div>1</div> <div>Central Registration Depository Number(s)</div>	<div>2</div> <div>Name</div>	<div>2</div> <div>Address</div>
N/A.....	Prime Investments.....	Bloomfield, CT.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?..... Yes [X] No []

25.2 If yes, complete the following schedule:

<div>1</div> <div>CUSIP #</div>	<div>2</div> <div>Name of Mutual Fund</div>	<div>3</div> <div>Book/Adjusted Carrying Value</div>
25.2001. 921909-70-1.....	Vanguard Developed Markets Index.....	9,797,819
25.2002. 922040-10-0.....	Vanguard Instl Index Fund.....	19,343,848
25.2003. 922908-87-6.....	Vanguard Small Cap Index.....	9,710,940
25.2999 TOTAL		38,852,607

25.3 For each mutual fund listed in the table above, complete the following schedule:

<div>1</div> <div>Name of Mutual Fund (from above table)</div>	<div>2</div> <div>Name of Significant Holding Of the Mutual Fund</div>	<div>3</div> <div>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding</div>	<div>4</div> <div>Date of Valuation</div>
Vanguard Developed Markets Index...	HSBC Holdings PLC.....	235,148	12/31/2006.....
Vanguard Instl Index Fund.....	ExxonMobil Corp.....	677,035	12/31/2006.....
Vanguard Small Cap Index.....	Northeast Utilities.....	19,422	12/31/2006.....

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-) or Fair Value over Statement (+)
26.1 Bonds.....	270,609,567	268,160,461	(2,449,106)
26.2 Preferred stocks.....	0	0	0
26.3 Totals	270,609,567	268,160,461	(2,449,106)

26.4 Describe the sources or methods utilized in determining fair values:

Provided by Investment Managers.....

27.1 Have all the filing requirements of the *Purposes and Procedures Manual* of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list the exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?.....\$65,000

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans.....	65,000

29.1 Amount of payments for legal expenses, if any?.....\$522,173

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Barnes & Thornburg.....	211,217
Warner, Norcross & Judd.....	197,891

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?.....\$24,996

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Public Affairs Associates, Inc.....	24,996

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2 If yes, indicate premium earned on U. S. business only

\$

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$0

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$0

1.62 Total incurred claims

\$0

1.63 Number of covered lives

.....0

All years prior to most current three years:

1.64 Total premium earned

\$0

1.65 Total incurred claims

\$0

1.66 Number of covered lives

.....0

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$0

1.72 Total incurred claims

\$0

1.73 Number of covered lives

.....0

All years prior to most current three years:

1.74 Total premium earned

\$0

1.75 Total incurred claims

\$0

1.76 Number of covered lives

.....0

2. Health Test:

1

Current Year

2

Prior Year

2.1 Premium Numerator

\$1,083,328,130

\$1,049,205,532

2.2 Premium Denominator

\$1,083,328,130

\$1,049,205,532

2.3 Premium Ratio (2.1/2.2)

.....1.000

.....1.000

2.4 Reserve Numerator

\$96,101,000

\$120,901,791

2.5 Reserve Denominator

\$96,101,000

\$120,901,791

2.6 Reserve Ratio (2.4/2.5)

.....1.000

.....1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No []

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

5.2 If no, explain:

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$1,400,000

5.32 Medical Only

\$1,400,000

5.33 Medicare Supplement

\$

5.34 Dental

\$

5.35 Other Limited Benefit Plan

\$

5.36 Other

\$

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

HMO holds harmless provisions of provider contracts, trust indentures.

7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes [X] No []

7.2 If no, give details:

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

.....3,254

8.2 Number of providers at end of reporting year

.....3,774

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contract?

Yes ☒ No ☐

10.2 If yes:

10.21 Maximum amount payable bonuses

\$.....16,278,556

10.22 Amount actually paid for year bonuses

\$.....10,286,927

10.23 Maximum amount payable withholds

\$.....183,938

10.24 Amount actually paid for year withholds

\$.....17,054,441

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes ☐ No ☒

11.13 An Individual Practice Association (IPA), or,

Yes ☒ No ☐

11.14 A Mixed Model (combination of above) ?

Yes ☐ No ☒

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes ☒ No ☐

11.3 If yes, show the name of the state requiring such net worth.

Michigan

11.4 If yes, show the amount required.

\$.....82,529,798

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes ☒ No ☐

11.6 If the amount is calculated, show the calculation.

200% ACL

12. List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Alcona.....
Allegan.....
Alpena.....
Antrim.....
Barry (partial).....
Bay (partial).....
Benzie.....
Berrien (partial).....
Calhoun.....
Charlevoix.....
Cheboygan.....
Clinton (partial).....
Crawford.....
Eaton (partial).....
Emmet.....
Genessee (partial).....
Grand Traverse.....
Graiot (partial).....
Ionia (partial).....
Kalamazoo.....
Kalkaska.....
Kent.....
Lake.....
Leelanau.....
Mackinac (partial).....
Manistee.....
Mason.....
Mecosta.....
Missaukee (partial).....
Montcalm.....
Montmorency (partial).....
Muskegon.....
Newaygo.....
Oceana.....
Osceola.....
Otsego.....
Ottawa.....
Presque Isle (partial).....
Roscommon (partial).....
Saginaw (partial).....
Tuscola (partial).....
Van Buren (partial).....
Wexford.....

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	344,897,987	343,624,200	288,815,543	222,386,639	150,427,434
2. Total liabilities (Page 3, Line 22)	113,505,764	135,826,846	133,791,255	122,446,148	88,523,865
3. Statutory surplus	82,526,798	74,375,706	59,280,000	57,270,056	38,810,842
4. Total capital and surplus (Page 3, Line 31)	231,392,223	207,797,354	155,024,288	99,940,491	61,903,569
Income Statement (Page 4)					
5. Total revenues (Line 8)	1,084,042,080	1,048,491,582	936,875,020	773,665,841	606,858,726
6. Total medical and hospital expenses (Line 18)	968,930,541	906,775,529	799,378,013	675,108,947	538,740,832
7. Claims adjustment expenses (Line 20)	15,631,031	14,060,818	13,387,139	10,677,443	0
8. Total administrative expenses (Line 21)	88,575,824	79,677,968	75,860,456	59,413,810	42,956,275
9. Net underwriting gain (loss) (Line 24)	8,628,684	47,977,267	48,249,412	28,465,641	12,051,448
10. Net investment gain (loss) (Line 27)	13,698,919	9,832,386	4,799,481	2,862,690	3,392,800
11. Total other income (Lines 28 plus 29)	0	0	0	0	304,130
12. Net income (loss) (Line 32)	22,327,603	57,809,653	53,048,893	31,328,331	15,748,378
Risk - Based Capital Analysis					
13. Total adjusted capital.....	231,392,223	207,797,354	155,024,288	99,940,491	61,903,569
14. Authorized control level risk-based capital.....	41,263,399	37,187,853	29,640,000	28,635,028	19,405,421
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	344,469	372,107	363,563	335,480	288,535
16. Total member months (Column 6, Line 7)	4,210,401	4,444,474	4,283,334	3,866,469	3,467,361
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus 19)	89.4	86.5	85.3	87.3	88.8
19. Cost containment expenses	0.1	0.1	0.0	xxx	xxx
20. Other claims adjustment expenses	1.3	1.2	0.0	0.0	0.0
21. Total underwriting deductions (Line 23)	99.2	95.4	94.8	96.3	98.0
22. Total underwriting gain (loss) (Line 24)	0.8	4.6	5.2	3.7	2.0
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	108,281,094	101,828,805	100,974,982	73,544,022	64,483,345
24. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	113,203,224	102,365,272	105,423,025	73,792,854	73,424,215
Investments In Parent, Subsidiaries And Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)	0	0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	18,804,236	12,677,982	0	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate	0	0	0	0	0
30. All other affiliated	0	0	0	0	0
31. Total of above Lines 25 to 30	18,804,236	12,677,982	0	0	0

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year					
Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	27,814,396	27,243,344	28,103,490	26,097,200
	2. Canada	0	0	0	0
	3. Other Countries	0	0	0	0
	4. Totals	27,814,396	27,243,344	28,103,490	26,097,200
States, Territories and Possessions (Direct and guaranteed)	5. United States	0	0	0	0
	6. Canada	0	0	0	0
	7. Other Countries	0	0	0	0
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....	174,723	170,441	174,557	175,000
	10. Canada.....	0	0	0	0
	11. Other Countries	0	0	0	0
	12. Totals	174,723	170,441	174,557	175,000
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States	44,778,494	44,109,931	44,834,191	44,833,169
	14. Canada	0	0	0	0
	15. Other Countries	0	0	0	0
	16. Totals	44,778,494	44,109,931	44,834,191	44,833,169
Public Utilities (unaffiliated)	17. United States	4,083,538	3,976,879	4,171,683	3,956,000
	18. Canada	0	0	0	0
	19. Other Countries	0	0	0	0
	20. Totals	4,083,538	3,976,879	4,171,683	3,956,000
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States	51,902,986	50,756,793	52,822,259	50,170,466
	22. Canada	0	0	0	0
	23. Other Countries	0	0	0	0
	24. Totals	51,902,986	50,756,793	52,822,259	50,170,466
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	128,754,137	126,257,388	130,106,180	125,231,835
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States	0	0	0	
	28. Canada	0	0	0	
	29. Other Countries	0	0	0	
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States	0	0	0	
	32. Canada	0	0	0	
	33. Other Countries	0	0	0	
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States	0	0	0	
	36. Canada	0	0	0	
	37. Other Countries	0	0	0	
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals	0	0	0	
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States	0	0	0	
	42. Canada	0	0	0	
	43. Other Countries	0	0	0	
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States	0	0	0	
	46. Canada	0	0	0	
	47. Other Countries	0	0	0	
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	38,852,607	38,852,607	31,982,281	
	50. Canada	0	0	0	
	51. Other Countries	0	0	0	
	52. Totals	38,852,607	38,852,607	31,982,281	
Parent, Subsidiaries and Affiliates	53. Totals	18,804,236	18,804,236	21,360,000	
	54. Total Common Stocks	57,656,843	57,656,843	53,342,281	
	55. Total Stocks	57,656,843	57,656,843	53,342,281	
	56. Total Bonds and Stocks	186,410,980	183,914,231	183,448,461	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	174,471,544	7. Amortization of premium.....	765,349
2. Cost of bonds and stocks acquired, Column 7, Part 3	25,551,913	8. Foreign Exchange Adjustment:	
3. Accrual of discount.....	81,890	8.1 Column 15, Part 1	0
4. Increase (decrease) by adjustment:.....		8.2 Column 19, Part 2, Sec. 1.....	0
4.1 Columns 12 - 14, Part 1.....	0	8.3 Column 16, Part 2, Sec. 2	0
4.2 Columns 15 - 17, Part 2, Sec. 1.....	0	8.4 Column 15, Part 4	0
4.3 Column 15, Part 2, Sec. 2.....	11,442,516	9. Book/adjusted carrying value at end of current period	186,410,980
4.4 Columns 11 - 13, Part 4	(28,500)	10. Total valuation allowance	
5. Total gain (loss), Column 19, Part 4	(46,454)	11. Subtotal (Lines 9 plus 10)	186,410,980
6. Deduct consideration for bonds and stocks disposed of		12. Total nonadmitted amounts	
Column 7, Part 4	24,296,580	13. Statement value of bonds and stocks, current period	186,410,980

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
State, Etc.	1	2	Direct Business Only					
			3	4	5	6	7	8
	Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit Type Contract Funds	Property/ Casualty Premiums
1. Alabama	AL	No						
2. Alaska	AK	No						
3. Arizona	AZ	No						
4. Arkansas	AR	No						
5. California	CA	No						
6. Colorado	CO	No						
7. Connecticut	CT	No						
8. Delaware	DE	No						
9. District of Columbia	DC	No						
10. Florida	FL	No						
11. Georgia	GA	No						
12. Hawaii	HI	No						
13. Idaho	ID	No						
14. Illinois	IL	No						
15. Indiana	IN	No						
16. Iowa	IA	No						
17. Kansas	KS	No						
18. Kentucky	KY	No						
19. Louisiana	LA	No						
20. Maine	ME	No						
21. Maryland	MD	No						
22. Massachusetts	MA	No						
23. Michigan	MI	No	1,049,035,757	35,003,098				
24. Minnesota	MN	No						
25. Mississippi	MS	No						
26. Missouri	MO	No						
27. Montana	MT	No						
28. Nebraska	NE	No						
29. Nevada	NV	No						
30. New Hampshire	NH	No						
31. New Jersey	NJ	No						
32. New Mexico	NM	No						
33. New York	NY	No						
34. North Carolina	NC	No						
35. North Dakota	ND	No						
36. Ohio	OH	No						
37. Oklahoma	OK	No						
38. Oregon	OR	No						
39. Pennsylvania	PA	No						
40. Rhode Island	RI	No						
41. South Carolina	SC	No						
42. South Dakota	SD	No						
43. Tennessee	TN	No						
44. Texas	TX	No						
45. Utah	UT	No						
46. Vermont	VT	No						
47. Virginia	VA	No						
48. Washington	WA	No						
49. West Virginia	WV	No						
50. Wisconsin	WI	No						
51. Wyoming	WY	No						
52. American Samoa	AS	No						
53. Guam	GU	No						
54. Puerto Rico	PR	No						
55. U.S. Virgin Islands	VI	No						
56. Northern Mariana Islands	MP							
57. Canada	CN	No						
58. Aggregate other alien	OT	XXX	0	0	0	0	0	0
59. Subtotal	XXX	XXX	1,049,035,757	35,003,098	0	0	0	0
60. Reporting entity contributions for Employee Benefit Plans	XXX	XXX						
61. Total (Direct Business)	XXX	(a) 1	1,049,035,757	35,003,098	0	0	0	0
DETAILS OF WRITE-INS								
5801.	XXX	XXX						
5802.	XXX	XXX						
5803.	XXX	XXX						
5898. Summary of remaining write-ins for Line 58 from overflow page	XXX	XXX	0	0	0	0	0	0
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.:
(a) Insert the number of yes responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER AND HMO MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

